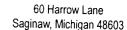
AUDITING PROCEDURES REPORT Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type Local Government Name	Quanty County
	BIRCH RUN SAGINAW. 1 Report Submitted to State:
3-31-04	1-26-04
We have audited the financial statements of this local unit of governmental prepared in accordance with the Statements of the Governmental Accale Reporting Format for Financial Statements for Counties and Local Department of Treasury. We affirm that:	Counting Standards Board (GASB) and the Uniform Units of Government in the High byte Hichigan JUL 2 9 2004
1. We have complied with the Bulletin for the Audits of Local Units of C	Government in Michigan as revised:
2. We are certified public accountants registered to practice in Michiga	ENDER AUDIT & FINANCE DIV.
We further affirm the following. "Yes" responses have been disclosed in the report of comments and recommendations	the financial statements, including the notes, or in
You must check the applicable box for each item below.	
yes Y no 1. Certain component units/funds/agencies of the lo	cal unit are excluded from the financial statements.
yes no 2. There are accumulated deficits in one or more earnings (P.A. 275 of 1980).	e of this unit's unreserved fund balances/retained
yes no 3. There are instances of non-compliance with the 1968, as amended).	Uniform Accounting and Budgeting Act (P.A. 2 o
yes 7 no 4. The local unit has violated the conditions of either or its requirements, or an order issued under the	
yes no 5. The local unit holds deposits/investments which of 1943, as amended [MCL 129.91], or P.A. 55 of	do not comply with statutory requirements. (P.A. 2019).
yes v no 6. The local unit has been delinquent in distributing unit.	tax revenues that were collected for another taxing
yes no 7. The local unit has violated the Constitutional requestred pension benefits (normal costs) in the current the overfunding credits are more than the normal during the year).	uirement (Article 9, Section 24) to fund current year rent year. If the plan is more than 100% funded and al cost requirement, no contributions are due (paid
yes v no 8. The local unit uses credit cards and has not adop	oted an applicable policy as required by P.A. 266 of
yes no 9. The local unit has not adopted an investment police	cy as required by P.A. 196 of 1997 (MCL 129.95).
We have enclosed the following:	To Be Not Enclosed Forwarded Required
The letter of comments and recommendations. PG 39	X
Reports on individual federal financial assistance programs (program au	dits).
Single Audit Reports (ASLGU).	X
Certified Public Accountant (Firm Name) BERTHIAUME & C Street Address 60 HARROW LANE City	OMPANY CPAS
Street Address 60 HARROW LANE City	SAGINAN State 1 ZIP48603
Accountant Signature / Son neth Or City	

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INDEPENDENT AUDITORS' REPORT

Township Board Township of Birch Run Saginaw County, Michigan

We have audited the general purpose financial statements of the Township of Birch Run, Saginaw County, Michigan, as of and for the year ended March 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Township's officials. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Birch Run at March 31, 2004, and the results of its operations and changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Township of Birch Run, Saginaw County, Michigan. The information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

June 30, 2004

Berthiains & Co.

ALL FUND TYPES AND ACCOUNT GROUPS

COMBINED BALANCE SHEET

March 31, 2004

	GOVERNMENTAL FUND TYPES					PES	
A CODETTO	General		Special Revenue			Debt Service	
ASSETS: Cash and equivalents Taxes receivable Accounts receivable Special assessments receivable Due from other governmental units Due from other funds Prepaid expense Property, plant, and equipment, net Other assets Amount available for retirement of long-term debt	\$ 9	036,844 10,786 17,067 01,629	\$	166,143 1,450 - - 1,156 -	\$	82,559 3,419 - - - -	
Amount to be provided for retirement of long-term debt	····	-		-			
Total assets	\$ 1,0	79,709	\$	168,749	\$	85,978	
LIABILITIES AND FUND EQUITY: Liabilities: Accounts payable Accrued expense Due to other governmental units Due to other funds Deposits payable General obligation bonds payable Contracts payable Total liabilities		36,111 10,432 - 1,156 1,000 - - - 48,699	\$	2,732 1,911 - 65,585 - - - 70,228	\$	- - - - - -	
Fund Equity: Contributed capital Investment in general fixed assets Retained Earnings: Unreserved — Undesignated (deficit) Fund Balance: Reserved Unreserved — Undesignated Total fund equity	1,01	3,383 7,627 1,010		98,521 98,521		85,978 85,978	
Total liabilities & fund equity	\$ 1,07	9,709	\$	168,749	\$	85,978	

PROPRIETARY FIDUCIARY <u>FUND TYPE</u> <u>FUND TYPES</u>			ACCOUNT	PS					
	and		Trust and Agency	General Fixed Assets			General Long-Term Debt	Totals (Memorandum Only)	
\$	714,787	\$	5,904	\$		\$		· ·	
•	-	Ψ	5,704	Φ	_	Ф	-	\$	
	_		_		_		_		15,655 17,067
	882,432		-		_		_		882,432
	-		-		_		_		101,629
	65,585		-		_		-		66,741
	-		-		_		-		13,383
	3,297,464		-		2,500,530		-		5,797,994
	340,573		-		-		-		340,573
	-		-		-		85,978		85,978
	-		-		-		54,022		54,022
\$	5,300,841	\$	5,904	\$	2,500,530	\$	140,000	\$	9,281,711
\$	-	\$	-	\$	-	\$	-	\$	38,843
	32,372		4.00		-		-		44,715
	-		4,092		-		-		4,092
	-		-		-		-		66,741
	100.000		-		-		-		1,000
	100,000		-		-		140,000		240,000
	1,908,888		-		-		_		1,908,888
	2,041,260		4,092		-		140,000		2,304,279
	3,286,037		_		_				3,286,037
	-		_		2,500,530		_		2,500,530
					2,200,330		_		2,300,330
	(26,456)		-		· -		-		(26,456)
	-,		-		-		-		13,383
	-		1,812		_		<u> </u>		1,203,938
	3,259,581		1,812		2,500,530		-		6,977,432
\$	5,300,841	\$	5,904	\$	2,500,530	\$	140,000	\$	9,281,711

ALL GOVERNMENTAL FUND TYPES

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

Year Ended March 31, 2004

	-	GOVERNMENTAL FUND TYPES						
DEVENIEC.		Special General Revenue		-	Debt Service		Totals (Memorandum Only)	
REVENUES:								
Property taxes Licenses and permits Intergovernmental:	\$	5 190,835 60,520	\$	79,468 -	\$	64,428	\$	334,731 60,520
Federal grants		29,684		_				29,684
State grants		386,791		5,339		-		392,130
Contributions from local units		-		28,800		_		28,800
Charges for services		249,629		587		-		250,216
Fines and forfeitures		992		776		_		1,768
Interest and rentals		9,050		1,395		134		10,579
Other revenues		13,439		2,661		-		16,100
Total revenues		940,940		119,026		64,562		1,124,528
EXPENDITURES:								
General government		268,391		_		_		268,391
Public safety		151,952		-		_		151,952
Public works		337,174		_		_		337,174
Community and economic development		21,788		_				21,788
Recreational and culture		24,259		90,292		_		114,551
Other		31,511		-		_		31,511
Capital outlay		165,163		8,998		-		174,161
Debt Service:								
Principal		-		-		65,000		65,000
Interest		-		-		9,236		9,236
Total expenditures		1,000,238		99,290		74,236		1,173,764
Excess of revenues over (under) expenditures	_	(59,298)		19,736		(9,674)		(49,236)
OTHER FINANCING SOURCES (USES:)								
Transfer from other funds		_		60,850		_		60,850
Transfer to other funds		(60,850)		(100,636)		-		(161,486)
Total other financing sources (uses)		(60,850)		(39,786)		-		(100,636)
Excess of revenues and other sources over (under) expenditures and other financing uses		(120,148)		(20,050)		(9,674)		(149,872)
Fund balance, beginning of year		1,151,158		118,571		95,652		1,365,381
Fund balance, end of year	\$	1,031,010	\$	98,521	\$	85,978	\$	1,215,509
•	_	, ,		,	-	55,576		

The accompanying notes are an integral part of the financial statements.

GENERAL AND SPECIAL REVENUE FUNDS

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET & ACTUAL

Year Ended March 31, 2004

	GENERAL FUND			SPECIAL REVENUE			
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual (Variance Favorable Unfavorable)	
REVENUES:					(<u> </u>	
Property taxes Licenses and permits Intergovernmental:	\$ 237,200 53,000			\$ 79,136	\$ 79,468 -	\$ 332	
Federal grants State grants Contributions from local units	15,000 385,400	386,791		5,400 29,000	5,339 28,800	(61) (200)	
Charges for services Fines and forfeitures Interest and rentals Other revenue	239,700 900 8,000 11,125	992 9,050	92	598 580 1,066 964	587 776 1,395 2,661	(11) 196 329 1,697	
Total revenues	950,325	940,940	(9,385)	116,744	119,026	2,282	
EXPENDITURES:					,	_,	
General government Public safety Public works Community and economic development	271,690 152,150 337,700	151,952 337,174	3,299 198 526	- - -		- -	
Recreational and culture Other Capital outlay	24,210 25,100 31,600 165,350	21,788 24,259 31,511	2,422 841 89	90,299	90,292	7	
Total expenditures	1,007,800	165,163 1,000,238	7,562	9,311 99,610	8,998 99,290	313	
Excess of revenues over (under) expenditures	(57,475)	-	· · · · · · · · · · · · · · · · · · ·	17,134	19,736	2,602	
OTHER FINANCING SOURCES (USES):							
Transfer from other funds Transfer to other funds	(60,850)	(60,850)	-	60,850 (100,636)	60,850 (100,636)	-	
Total other financing sources (uses)	(60,850)	(60,850)	•	(39,786)	(39,786)	-	
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(118,325)	(120,148)	(1,823)	(22,652)	(20,050)	2,602	
Fund balances, beginning of year	1,151,158	1,151,158	(2,025)	118,571	118,571	2,002	
Fund balances, end of year	\$1,032,833	\$1,031,010	\$ (1,823) 5			\$ 2,602	

The accompanying notes are an integral part of the financial statements.

PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED DEFICIT/FUND BALANCE

Year Ended March 31, 2004

	PROPRIETARY FUND TYPES Enterprise		FU	FIDUCIARY FUND TYPES Non- Expendable Trust		Totals morandum Only)
OPERATING REVENUES:						
Charges for services Investment income (loss) Connection fees	\$	11,913 - 63,400	\$	- 16 -	\$	11,913 16 63,400
Total operating revenues		75,313		16		75,329
OPERATING EXPENSES:	_					
Contracted and professional services Other expenses Depreciation		2,716 1,662 116,709		- - -		2,716 1,662 116,709
Total operating expenses		121,087		-		121,087
Operating income (loss)		(45,774)		16		(45,758)
NON-OPERATING REVENUES (EXPENSES):						
Interest income Interest expense		72,805 (115,633)		- -		72,805 (115,633)
Total non-operating revenues (expenses)		(42,828)		_		(42,828)
Net income (loss) before operating transfers		(88,602)	·	16		(88,586)
OPERATING TRANSFERS:						
Transfer from other funds		100,636		-		100,636
Total operating transfers		100,636		-		100,636
Net income (loss)		12,034		16		12,050
Retained earnings (deficit)/fund balance, beginning of year		(38,490)		1,796		(36,694)
Retained earnings (deficit)/fund balance, end of year	\$	(26,456)	\$	1,812	\$	(24,644)

The accompanying notes are an integral part of the financial statements.

PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND

STATEMENT OF CASH FLOWS

Year Ended March 31, 2004

		PRIETARY <u>JND TYPE</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	_ <u>E</u>	Enterprise
Operating income (loss) Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	\$	(45,774)
Depreciation Changes in operating assets and liabilities which provided (used) cash:		116,709
Special assessments receivable Due from other funds Accounts payable Accrued expenses payable		111,189 (61,738) (6,349)
Net cash provided by (used for) operating activities		(7,593) 106,444
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		· · · · · · · · · · · · · · · · · · ·
Transfer from other funds		100,636
Net cash provided by (used for) non-capital financing activities		100,636
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of fixed assets Principal paid on long-term debt Interest paid on long-term debt Paying agent fees	((111,095) (186,185) (110,875) (4,758)
Net cash provided by (used for) capital and related financing activities	((412,913)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Receipt of interest – investments Receipt of interest – special assessments		8,840 63,865
Net cash provided by (used for) investing activities		72,805
Net increase (decrease) in cash and equivalents	((133,028)
Cash and cash equivalents, beginning of year		847,815
Cash and cash equivalents, end of year	\$	714,787

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Birch Run Township conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies.

REPORTING ENTITY:

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Township (the primary government) and its component units. The component units discussed below are included in the Township's reporting entity because of the significance of their operational or financial relationship with the Township.

COMPONENT UNITS:

Downtown Development Authority - The members of the governing board of the Downtown Development Authority are appointed by the Township board. The budgets and expenditures of the Downtown Development Authority must be approved by the Township board. The Township also has the ability to significantly influence operations of the Downtown Development Authority. The DDA is handled by the Township as a special revenue fund. The DDA is included with the Township financial statements using the blended presentation method because it serves as a financing source for capital projects benefiting the Township's operations.

BASIS OF PRESENTATION:

The financial activities of the Township are recorded in separate funds and account groups, categorized and described as follows:

GOVERNMENTAL FUNDS:

General Fund: This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds: These funds are used to account for specific governmental revenues (other than special assessments and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Debt Service Funds: Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

PROPRIETARY FUNDS:

Enterprise Funds: Enterprise funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control, or other purposes. The Township has one combined Water and Sewer Fund.

NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FIDUCIARY FUNDS:

Trust and Agency Funds: To account for assets held by the Township in a trustee capacity or as agent for individuals, private organizations, other governments and/or other funds. When the assets are held under the terms of a formal trust agreement, either a nonexpendable trust fund or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the Township is under an obligation to maintain the trust principle. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

ACCOUNT GROUPS:

General Fixed Assets Account Group: The Account Group presents the fixed assets of the local unit utilized in its general operations (nonproprietary fixed assets).

General Long-Term Debt Account Group: This account group is established to account for all unmatured long-term indebtedness of the Township that is not directly related to and expected to be paid from Proprietary Fund Types.

BASIS OF ACCOUNTING:

The accrual basis of accounting is used by Enterprise Funds and Nonexpendable Trust Funds. The financial activity of the Agency Funds is limited to collection of amounts which are subsequently returned or paid to third parties and, accordingly, are limited to cash transactions. All governmental type funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.
 - Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the County tax rolls.
- b. Interest income on special assessments receivable is not accrued until its due date.
- c. Interest on bonded indebtedness and other long-term debt is not recorded as an expenditure until its due date.
- d. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.
- e. Normally, expenditures are not divided between years by the recording of prepaid expenses.

CASH AND CASH EQUIVALENTS:

Consist of demand deposits, savings accounts, certificates of deposit and other investments, if any, with a maturity date of purchase of ninety days or less. Investments, if any, are stated at fair value.

NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

RECEIVABLES:

Receivables have been recognized for all significant amounts due the Township. Valuation reserves have not been provided in that collection thereof is not considered doubtful.

PROPERTY AND EQUIPMENT:

Fixed asset acquisitions and dispositions are accounted for as expenditures or revenues in all governmental funds. The fixed assets acquired by the Township and used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. No depreciation has been provided on general fixed assets.

Fixed asset acquisitions and dispositions are capitalized at cost on the balance sheets of all proprietary funds.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated deprecation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Water and sewer lines Hydrant valves and boxes 40 years 20 years

BUDGETS AND BUDGETARY:

The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

- 1. Prior to March 1, the Supervisor submits to the Township Board a proposed operating budget by activity level for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- 2. A public hearing is conducted at the annual meeting to obtain taxpayer comments.
- 3. Prior to April 1, the budget is legally enacted by appropriating the funds necessary to operate.
- 4. The Supervisor is authorized to transfer budgeted amounts between line items within any activity; however, any revisions that alter the total expenditures of any activity must be approved by the Township Board.

All budget appropriations lapse at year end. Budgetary amounts reported herein are as originally adopted, or as amended by the Township Board throughout the operating year.

Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved and amended by the Township Board.

The legal level of control is at the activity level of the governmental funds.

NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended March 31, 2004, the Township incurred no expenditures which were in excess of the amounts appropriated.

NOTE 3: LONG-TERM DEBT:

The following is a summary of the total debt outstanding of the Township as of March 31, 2004 and changes during the year:

Proprietary Fund -Enterprise - Water and Sewer:

	Balance April 1, 2003	Increase (Decrease)	Balance March 31, 2004
\$575,000 CONTRACT PAYABLE – SAGINAW COUNTY, payable in annual installments of \$95,000 to \$30,000 plus interest from 5.3% to 5.75%	\$ 420,00	00 \$ (30,000)	\$ 390,000
\$450,000 CONTRACT PAYABLE – SAGINAW COUNTY, payable in annual installments of \$10,000 to \$35,000 plus interest from 4.4% to 6.0%	340,00	00 (20,000)	320,000
\$300,000 CONTRACT PAYABLE – SAGINAW COUNTY, payable in annual installments of \$15,000 plus interest from 4.5% to 5.875%	210,00	00 (15,000)	195,000
\$935,000 CONTRACT PAYABLE – SAGINAW COUNTY, payable in annual installments of \$20,000 to \$70,000 plus interest from 5.45% to 7.00%	670,00	00 (45,000)	625,000
\$554,830 CONTRACT WITH THE VILLAGE OF BIRCH RUN, payable in annual installments of \$12,758 to \$32,602.50 plus interest from 5.9% to 7.00%	265,07	['] 3 (31,185)	233,888

NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

NOTE 3:	LONG-TERM DEBT,	continued
---------	-----------------	-----------

=	Balance April 1, 2003	Increase (Decrease)	Balance March 31, 2004
\$175,000 CONTRACT PAYABLE – SAGINAW COUNTY, payable in annual installations of \$5,000 to \$15,000 plus interest from 6.10% to 6.20%	150,000	(5,000)	145,000
\$300,000 JUDGEMENT BONDS, Series 1994 payable annually at \$20,000 plus interest from 6.45% to 8%	140,000	(40,000)	100,000
Total Proprietary Debt	2,195,073	(186,185)	2,008,888
General Long-Term Debt:			
\$550,000 LIBRARY CONSTRUCTION BONDS, Series 1996 payable in annual installments of \$55,000 to \$70,000 plus interest from 3.95%			
to 5.20 %	205,000	(65,000)	140,000
Total General Long-Term Debt	205,000	(65,000)	140,000
TOTAL LONG-TERM DEBT	\$ 2,400,073	\$ (251,185)	\$ 2,148,888

The annual debt service requirements to maturity for all debt including interest of \$690,437 are as follows:

Year Ending March 31,	1	Proprietary Fund	General Long-Term Debt Group		Totals		
2005	\$	254,080	\$	75,442	\$	329,522	
2006		275,840		71,820		347,660	
2007		265,333		, -		265,333	
2008		259,603		_		259,603	
2009		245,141		-		245,141	
After 2009		1,392,066				1,392,066	
	\$	2,692,063	\$	147,262	\$	2,839,935	

NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

NOTE 4: PROPERTY TAXES

Township property taxes are attached as an enforceable lien on property as of December 1. Taxes are levied December 1 and are due without penalty on or before February 28. These tax bills include the Township's own property taxes and taxes billed on behalf of Saginaw County and the school districts within the Township boundaries. Real property taxes not collected as of March 1 are turned over to Saginaw County for collection, which advances the Township 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

The assessed taxable value of real and personal property located in the Township as of December 31, 2002 total \$174,375,474 representing 50% of estimated actual value.

The 2003 tax levy was based on the following:

	Millage
	Rate Used
General Operating	.9292
Library	.3707

Property taxes levied in December are recognized as revenue in the current fiscal year.

Taxes collected on behalf of the school districts and Saginaw County are turned over to the districts and the County immediately following collection and are accounted for in a designated agency fund.

NOTE 5: INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables are as follows:

Fund	nterfund eceivable	nterfund Payable
DUE FROM/TO:		
General Fund Library Fund	\$ 1,156	\$ 1,156
Downtown Development Authority Fund Water and Sewer System Fund	 65,585	65,585
	\$ 66,741	\$ 66,741

NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

NOTE 6: CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Township's deposits and investments at March 31, 2004 are included on the balance sheet under the following classifications:

	BALANCE SHEET CLASSIFICATION
	Cash and Cash Equivalents
Deposits - Bank Investments - Bank	\$ 1,764,429
Deposit - Village of Birch Run	153,281 (11,716)
Petty Cash	243
Total	\$ 1,906,237

DEPOSITS

At March 31, 2004, the book value of the Township's bank accounts, consisting primarily of demand deposits, and certificates of deposits was \$1,764,429 with a corresponding bank balance of \$1,914,046. Township deposits are insured by the Federal Deposit Insurance Corporation up to \$100,000. Of the bank's balance, approximately \$207,278 is insured (credit risk Category #1) and the remaining \$1,557,151 is uninsured and uncollateralized (credit risk Category #3).

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The Township also had \$(11,716) cash (deficit) on deposit with the Village of Birch Run.

The Township's deposits are in accordance with statutory authority.

NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

NOTE 6: CASH AND CASH EQUIVALENTS AND INVESTMENTS, continued

INVESTMENTS

Investments are categorized into these three categories of credit risk:

Category 1 - Insured or registered, or securities held by the Township or its agent in the Township's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the Township's name.

<u> </u>	Category			Carrying		Fair	
<u></u>	1	2	3	_	Amount		Value
Investments not subject to categorization: Citizens Bank – Treasury Portfolio National City – MIF				\$	75,281 78,000	\$	75,281 78,000
Total investments				\$	153,281	\$	153,291

The investments held by the Township meet state statutory regulations.

NOTE 7: SPECIAL ASSESSMENTS RECEIVABLE

The Township has levied special assessments for the financing of water and sewer lines within the Township. These special assessments receivable balances as of March 31, 2004 are as follows:

ENTERPRISE FUNDS:

1989 Water Extension #2 - Birch Run	\$	21,339
1989 Water Extension #2 - Frankenmuth	·	12,404
1994 Water Extension #3		412,172
1995 Water Extension #4		114,955
1996 Sewer Extension #2		180,000
1997 Sewer Extension - Dixie Highway		141,562
	\$	882,432

NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

NOTE 8: CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance 4/1/03	Additions	Deletions	Balance 3/31/04
Buildings	\$ 869,529	\$ 11,521	\$ -	\$ 881,050
Land and improvements	262,831	140,447	-	403,278
Vehicles	635,565	-	-	635,565
Equipment	558,444	22,193	-	580,637
	\$ 2,326,369	\$ 174,161	\$ -	\$ 2,500,530

The summary of proprietary fund type property, plant and equipment, at March 31, 2004 is as follows:

Water and Sewer System	Depreciable Life-Years
\$ 4,779,437	40
4,748	20
4,784,185	
(1,486,721)	
\$ 3,297,464	
	\$ 4,779,437 4,748 4,784,185 (1,486,721)

NOTE 9: OTHER ASSET-ADDITIONAL PURCHASED CAPACITY

The Township entered into a contract with the Genesee Sewer System for the right to treat up to 30 million gallons of sewage monthly. (There is no expiration of this right and the Township did not acquire any tangible property.) The contract agreement cost was \$681,145.97. During the year ended March 31, 1991 the Township sold, to the Village of Birch Run, 50% of this right for \$340,573. The balance of \$340,573 is carried as an other asset of the Water and Sewer Fund.

NOTE 10: FUND DEFICITS

The Township, on March 31, 2004, had a retained earnings deficits in the Water Supply System of \$26,456. This deficit resulted, partly, because the Township has not elected to follow NCGA Statement 2, "Grant Entitlement and Shared Revenue Accounting by State and Local Governments" which provides that a portion of the annual depreciation is charged against contributed capital.

NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

NOTE 11: TOTAL COLUMN ON COMBINED STATEMENTS - OVERVIEW

The total column on the Combined Statements - Overview is captioned Memorandum Only to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 12: DEFERRED COMPENSATION PLAN

The Township offers it employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. Participation in the plan is optional.

NOTE 13: DOWNTOWN DEVELOPMENT AUTHORITY AGREEMENTS

To the extent that future DDA captured tax revenues are available, the Township DDA has made agreements to be obligated to the Township Sewer Fund for repayment of the following debts:

- 1. \$575,000 Sanitary Sewer System Improvement Bonds issued by Saginaw County December 5, 1996. The balance due on these bonds at March 31, 2004 is \$390,000.
- 2. Contract Payable to Birch Run Village for 28.35% of the past and future payments due on the 1992, \$1.4 million, Village Sanitary Sewer System Bonds payable through Genesee County. The balance due on these bonds at March 31, 2004 was \$233,888.
- 3. \$75,000 of the \$175,000 Sewer System Improvement Bonds issued by Saginaw County in May, 1997. The March 31, 2004 total balance of these bonds is \$145,000.
- 4. A pro-rata portion of the \$300,000 Judgement Bonds Payable. The amount is to be determined annually based on the DDA's use of the Township's sewer engineering plans.

During the year ended March 31, 2003 the Downtown Development Authority transferred \$100,636 to the Water and Sewer Fund in connection with these agreements.

NOTE 14: POST EMPLOYMENT BENEFITS

At this time the Township does not provide any post employment benefits to its employees other than the Deferred Compensation Plan.

NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

NOTE 15: RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and distribution of assets; errors and omissions; injuries to employees; and natural disasters. The Township carries commercial insurance to cover any potential claims associated with these risks and has had no claims that exceeded the insurance coverage during the past three years.

NOTE 16: RESERVED FUND BALANCES

The following fund balances have been reserved as follows:

GENERAL FUND:

Reserve for prepaid expenditures

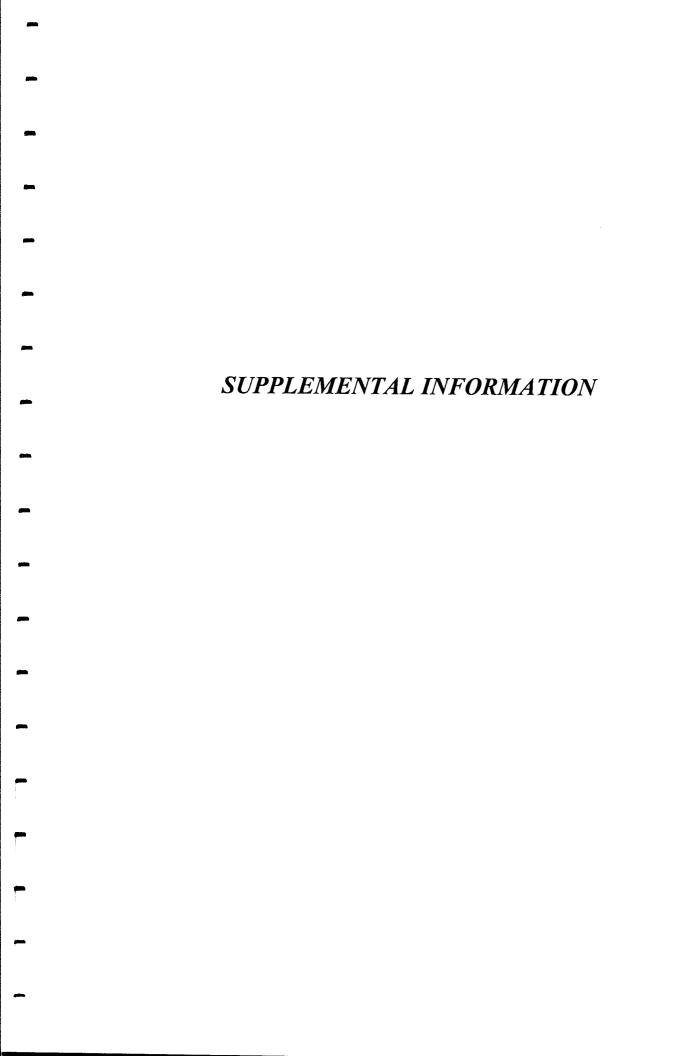
\$ 13,383

NOTE 17: STATE CONSTRUCTION CODE ACT

The Township oversees building construction, in accordance with the state's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000 is as follows:

Surplus at March 31, 2003		\$ -
Current year building permit revenue		52,575
Related expenditures: Direct costs Estimated indirect costs	\$ 68,855 <u>-</u>	
Total construction code expenditures		 68,855
Cumulative surplus at March 31, 2004		\$ -

In accordance with the law, \$0 of fund balance in the General Fund has been reserved for future construction code activities.



REVENUES:

Current Taxes:

Fire runs

Zoning/planning/land division fees

GENERAL FUND

STATEMENT OF REVENUES

Year Ended March 31, 2004

Property taxes \$ 127,171 Trailer tax 250 Property tax administration fee 63,414 190,835 Licenses and Permits: Business licenses and permits 7,945 Non-business licenses and permits 52,575 60,520 Federal Grants: Federal grant - fire department 29,684 29,684 State Grants: Liquor license fees 3,377 State revenue sharing 307,257 State Grant - Park 66,500 State Grant - Tax Collection Fee 8,160 State Grant - Metro Act 1,497 386,791 Charges for Services: Refuse collection fees 225,056 Cemetery fees 9,472 Copies 296

	249,629
Fines and Forfeitures:	
Ordinance fines	992
	992
Interest and Rents:	
Interest earned	0.040

5,755

9,050

Interest earned	8,048
Rents	1,002
	9,050
Other Revenue:	
Cemetery lots	4,000
Contributions and donations	976
Reimhurcements	4.205

Contributions and donations	976
Reimbursements	4,295
Refunds and rebates	1,546
Miscellaneous/other	2,622
	13,439
Total revenues	\$ 940.940

GENERAL FUND

STATEMENT OF EXPENDITURES AND OTHER FINANCING USES

For the Year Ended March 31, 2004

EXPENDITURES:

General Government:

Board:	
Personnel	\$ 23,604
Fringe benefits	1,806
Supplies	361
Contracted services	194
Dues and memberships	3,230
Education and training	100
Printing and publications	1,743
Other	794
	31,832
Supervisor:	
Personnel	16,615
Fringe benefits	1,271
Contracted services	497
Dues and memberships	90
	18,473
Clerk:	
Personnel	22,882
Fringe benefits	1,750
Supplies	1,692
Contracted services	1,715
Mileage/auto	28
Dues and memberships	25
Education and training	330
Other	75
t. to	28,497
Audit:	0.054
Contracted services	8,856
	8,856
Board of Review:	
Personnel	1,110
Fringe benefits	85
Printing and publications	210
	1,405

GENERAL FUND

STATEMENT OF EXPENDITURES AND OTHER FINANCING USES, continued

For the Year Ended March 31, 2004

EXPENDITURES, continued

General Government, continued:

Treasurer:	
Personnel	26,569
Fringe benefits	2,033
Supplies	3,382
Contracted services	9,014
Mileage/auto	349
Dues and memberships	130
Education and training	100
	41,577
Assessor:	
Supplies Contracted services	3,646
Contracted services	40,850
	44,496
Elections:	
Supplies	659
Contracted services	480
	1,139
Building and Grounds:	
Supplies	2,738
Contracted services	9,049
Telephone	2,443
Utilities	4,204
Repairs and maintenance	2,897
	21,331
Attorney:	
Contracted services	18,511
	18,511
Cemetery:	
Personnel	4,750
Fringe benefits	363
Supplies	3,501
Contracted services	35,134
Utilities	498
Repairs and maintenance	4,431
	48,677

GENERAL FUND

STATEMENT OF EXPENDITURES AND OTHER FINANCING USES, continued

For the Year Ended March 31, 2004

EXPENDITURES, continued:

General Government, continued:

Orl C 1 C	
Other General Government: Contracted services	2,097
Other	1,500
	3,597
Total general government	268,391
Public Safety:	
Police:	
Contracted services	7,863
Other	411
	8,274
Liquor Law Enforcement:	
Contracted services	1,428
	1,428
Fire:	
Personnel	31,943
Fringe benefits	2,444
Supplies	12,069
Contracted services	5,997
Telephone	1,339
Dues and memberships	740 7,032
Education and training Utilities	6,346
Repairs and maintenance	5,485
Topans and mamonane	73,395
Duotactive Japanetica and Decadations	/3,393
Protective Inspection and Regulation: Personnel	57,193
Fringe benefits	4,375
Supplies	2,761
Contracted services	3,367
Dues and memberships	5
Education and training	687
Other	467
	68,855
Total public safety	151,952
•	······································

GENERAL FUND

STATEMENT OF EXPENDITURES AND OTHER FINANCING USES, continued

For the Year Ended March 31, 2004

EXPENDITURES, continued:

Public Works:	
Drains-Public Benefit:	
Contracted services	18,717
	18,717
Highways and, Streets:	
Contracted services	136,058
	136,058
Street Lighting:	
Utilities	8,741
	8,741
Refuse:	
Contracted services	173,658
	173,658
Total public works	337,174
Community and Economic Development:	
Zoning and Planning::	
Personnel	5,640
Fringe benefits	432
Supplies	1,000
Contracted services	13,540
Printing and publications	1,176
	21,788
Total community and economic development	21,788

GENERAL FUND

STATEMENT OF EXPENDITURES AND OTHER FINANCING USES, continued

For the Year Ended March 31, 2004

EXPENDITURES, continued:

Recreation and Culture:	
Parks and Recreation: Supplies Contracted services Utilities	1,035 20,601 81
Repairs and maintenance Other	2,517 25
	24,259
Total recreation and culture	24,259
Other:	
Insurance and Bonds:	
Insurance	31,511
	31,511
Total other	31,511
Capital Outlay:	
General Government: Building and grounds Cemetery	5,958 5,285
	11,243
Public Safety: Fire	16,373
Recreation and Culture:	16,373
Parks and recreation	137,547 137,549
Total capital outlay	165,163
Total expenditures	1,000,238
OTHER FINANCING USES:	
Transfers to other funds	60,850
Total other financing uses	60,850
Total expenditures and other financing uses	\$ 1,061,088

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

March 31, 2004

	Library			Downtown evelopment Authority	 Totals
ASSETS:					
Cash and equivalents Taxes receivable	\$	8,168	\$	157,975	\$ 166,143
Due from other funds		1,156		1,450 -	1,450 1,156
Total assets	\$	9,324	\$	159,425	\$ 168,749
LIABILITIES:					
Accounts payable	\$	2,732	\$	-	\$ 2,732
Accrued expenses Due to other funds		1,911 -		65,585	1,911 65,585
Total liabilities		4,643		65,585	 70,228
FUND EQUITY:					
Fund Balance: Unreserved – Undesignated		4,681		93,840	98,521
Total fund equity		4,681		93,840	98,521
Total liabilities and fund equity	\$	9,324	\$	159,425	\$ 168,749

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Year Ended March 31, 2004

		Totals		
REVENUES:				
Property taxes	\$	-	\$ 79,468	\$ 79,468
Intergovernmental:		5 220		5 220
States grants		5,339	-	5,339
Contributions from local units		28,800 587	-	28,800 587
Charges for services Fines and forfeitures		387 776	-	776
Interest and rentals		778	597	1,395
Other revenue		2,661	-	2,661
Total revenues		38,961	 80,065	 119,026
EXPENDITURES:				
Recreation and culture		90,292	-	90,292
Capital outlay		8,998	-	8,998
Total expenditures		99,290	•	99,290
Excess of revenues over (under) expenditures		(60,329)	 80,065	 19,736
OTHER FINANCING SOURCES (USES):				
Transfer from other funds		60,850	-	60,850
Transfer to other funds			 (100,636)	(100,636)
Total other financing sources (uses)		60,850	 (100,636)	(39,786)
Excess of revenues and other financing sources over (under) expenditures and other financing uses		521	(20,571)	(20,050)
Fund balances, beginning of year		4,160	114,411	118,571
Fund balances, end of year	\$	4,681	\$ 93,840	\$ 98,521

ENTERPRISE FUND

BALANCE SHEET

March 31, 2004

A CCTUTE.	Water and Sewer System Fund
ASSETS: Current Assets: Cash and cash equivalents Special assessments receivable Due from other funds	\$ 714,787 4,006 65,585
Total current assets	784,378
Property, Plant, and Equipment: Property, plant, and equipment, at cost Less: accumulated depreciation	4,784,185 (1,486,721)
Net property, plant, and equipment	3,297,464
Other Assets: Special assessments receivable Capacity fee Total other assets Total assets	878,426 340,573 1,218,999 \$ 5,300,841
LIABILITIES AND FUND EQUITY:	
Liabilities:	
Current Liabilities: Accrued expenses Current portion of long-term debt Total current liabilities	\$ 32,372 149,768 182,140
Long-Term Liabilities: General obligation bonds payable Contracts payable	100,000 1,759,120
Total long-term liabilities	1,859,120
Total liabilities	2,041,260
Fund Equity: Contributed capital Retained Earnings:	3,286,037
Unreserved – Undesignated (deficit)	(26,456)
Total fund equity	3,259,581
Total liabilities and fund equity	\$ 5,300,841

FIDUCIARY FUNDS

COMBINING BALANCE SHEET

March 31, 2004

	EX.	NON- PENDABLE IRUST FUND emetery erpetual Care	A	GENCY FUND Current Tax ollection	(Mem	Total orandum Only)
ASSETS:						
Cash and equivalents	\$	1,812	\$	4,092	\$	5,904
Total assets	\$	1,812	\$	4,092	\$	5,904
LIABILITIES AND FUND EQUITY: Liabilities: Due to other governmental units	\$	-	\$	4,092	\$	4,092
Total liabilities		-	-	4,092		4,092
Fund Equity: Fund Balance: Unreserved – Undesignated		1,812				1,812
Total fund equity		1,812				1,812
Total liabilities and fund balance	\$	1,812	\$	4,092	\$	5,904

AGENCY FUNDS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended March 31, 2004

CURRENT TAX COLLECTION FUND

	A	alance pril 1, 2003 Additions Deducti				Deductions	Balance March 31, ons 2004		
ASSETS:									
Cash in bank	\$	8,441	\$	5,653,716	\$	5,658,065	\$	4,092	
LIABILITIES:									
Due to other funds Due to other taxing units	\$	- 8,441	\$	675,461 4,978,255	\$	675,461 4,982,604	\$	4,092	
Total liabilities	\$	8,441	\$	5,653,716	\$	5,658,065	\$	4,092	

NONEXPENDABLE TRUST FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE

Year Ended March 31, 2004

	Cemetery Perpetual Care Fund
REVENUES:	
Interest earned	\$ 16
EXPENSES:	
Maintenance and other	
Excess of expenditures over (under) revenues	16
Fund balance, beginning of year	1,796
Fund balance, end of year	\$ 1,812

PROPRIETARY FUND

SCHEDULE OF INDEBTEDNESS - SANITARY SEWER SYSTEM IMPROVEMENTS

March 31, 2004

TYPE OF ISSUE: Contract Payable – Saginaw County

PURPOSE OF ISSUE: To construct Dixie Highway Extension

AMOUNT OF ISSUE: \$575,000

INTEREST RATES: 5.30% to 5.75%

Fiscal Year Ended	Interest		Principal		In	terest			
March 31,			6/1		6/1		12/1		Total
2005	5.45%	\$	30,000	\$	10,837	\$	10,020	\$	50,857
2006	5.45%		30,000		10,020		9,202		49,222
2007	5.45%		30,000		9,203		8,385		47,588
2008	5.45%		30,000		8,385		7,568		45,953
2009	5.45%		30,000		7,567		6,750		44,317
2010	5.50%		30,000		6,750		5,925		42,675
2011	5.50%		30,000		5,925		5,100		41,025
2012	5.60%		30,000		5,100		4,260		39,360
2013	5.65%		30,000		4,260		3,412		37,672
2014	5.65%		30,000		3,413		2,565		35,978
2015	5.65%		30,000		2,565		1,718		34,283
2016	5.70%		30,000		1,717		863		32,580
2017	5.75%		30,000		862		-		30,862
		\$	390,000	\$	76,604	\$	65,768	\$	532,372

PROPRIETARY FUND

SCHEDULE OF INDEBTEDNESS - WATER SUPPLY SYSTEM AND WATER EXTENSION #3

March 31, 2004

TYPE OF ISSUE:

Contract Payable - Saginaw County

PURPOSE OF ISSUE:

To construct an extension to the water line and refund #1 extension

bonds.

AMOUNT OF ISSUE:

\$450,000

INTEREST RATES:

4.4% to 6.00%

Fiscal Year Ended	r Interest Principal Interest									
March 31,	Rate	6/1		6/1			12/1		Total	
2005 2006 2007 2008 2009 2010 2011 2012 2013 2014	5.15% 5.20% 5.30% 5.40% 5.50% 5.60% 5.70% 5.80% 5.90%	\$	20,000 20,000 20,000 20,000 20,000 30,000 30,000 35,000 35,000	\$	9,103 8,588 8,068 7,538 6,998 6,448 5,608 4,753 3,883 2,850	\$	8,587 8,067 7,537 6,997 6,447 5,607 4,752 3,882 2,850 1,800	\$	37,690 36,655 35,605 34,535 33,445 42,055 40,360 38,635 41,733 39,650	
2015 2016	6.00% 6.00%		35,000 25,000		1,800 750		750		37,550 25,750	
		\$	320,000	\$	66,387	\$	57,276	\$	443,663	

PROPRIETARY FUND

SCHEDULE OF INDEBTEDNESS - SANITARY SEWER SYSTEM CAPACITY

March 31, 2004

TYPE OF ISSUE:

Contract Payable - Saginaw County

PURPOSE OF ISSUE:

To pay off contract to Genesee County for sewer system capacity.

AMOUNT OF ISSUE:

\$300,000

INTEREST RATES:

4.5% to 5.875%

Fiscal Year Ended	Interest		Principal		In	terest				
March 31,	Rate	6/1			6/1		12/1		Total	
2005	4.60%	\$	15,000	\$	5,025	\$	4,680	\$	24,705	
2006	4.70%	·	15,000	•	4,680	•	4,327	•	24,007	
2007	4.80%		15,000		4,328		3,967		23,295	
2008	4.90%		15,000		3,968		3,600		22,568	
2009	5.00%		15,000		3,600		3,225		21,825	
2010	5.10%		15,000		3,225		2,842		21,067	
2011	5.20%		15,000		2,843		2,452		20,295	
2012	5.30%		15,000		2,453		2,055		19,508	
2013	5.40%		15,000		2,055		1,650		18,705	
2014	5.50%		15,000		1,650		1,237		17,887	
2015	5.50%		15,000		1,238		825		17,063	
2016	5.50%		15,000		825		412		16,237	
2017	5.50%		15,000		413		-		15,413	
		\$	195,000	\$	36,303	\$	31,272	\$	262,575	

PROPRIETARY FUND

SCHEDULE OF INDEBTEDNESS - WATER EXTENSION #2

March 31, 2004

TYPE OF ISSUE:

Contract Payable – Saginaw County

PURPOSE OF ISSUE:

To construct an extension to the water line

AMOUNT OF ISSUE:

\$935,000

INTEREST RATES:

5.45% to 7.00%

Fiscal Year Ended	Interest	Principal 6/1		In				
March 31,	Rate			 6/1		12/1		Total
2005 2006 2007 2008 2009 2010 2011 2012 2013	5.70% 5.80% 5.90% 6.00% 6.10% 6.20% 6.30% 6.35% 6.40%	\$	45,000 50,000 50,000 55,000 55,000 55,000 60,000 65,000	\$ 19,285 18,003 16,552 15,078 13,427 11,903 10,197 8,465 6,560	\$	18,003 16,552 15,078 13,427 11,903 10,197 8,465 6,560 4,480	\$	82,288 84,555 81,630 83,505 75,330 77,100 73,662 75,025 76,040
2014 2015	6.40% 6.40%		70,000 70,000	4,480 2,240		2,240		76,720 72,240
		\$	625,000	\$ 126,190	\$	106,905	\$	858,095

PROPRIETARY FUND

SCHEDULE OF INDEBTEDNESS - SEWER LINE

March 31, 2004

TYPE OF ISSUE: Contract Payable – Village of Birch Run

PURPOSE OF ISSUE: Purchase 28.35% Share in Sewer Force Main from Village

AMOUNT OF ISSUE: \$554,830

INTEREST RATES: 5.9% to 7.0%

Fiscal Year Ended	Interest	Principal		Interest					
March 31,	Rate		9/Î		9/1		3/1	·····	Total
2005	2.50%	\$	29,768	\$	3,490	\$	3,119	\$	36,377
2006 2007	2.50% 2.50%		31,185 29,767		3,119 2,729		2,729 2,356		37,033 34,852
2008	2.60%		28,350		2,356		1,988		32,694
2009 2010	3.00% 3.30%		28,350 26,933		1,988 1,563		1,563 1,118		31,901 29,614
2011 2012	3.60% 3.90%		28,350 31,185		1,118 608		608		30,076 31,793
2012	3.5070	\$	233,888	\$	16,971	\$	13,481	\$	264,340

PROPRIETARY FUND

SCHEDULE OF INDEBTEDNESS - SEWER SYSTEM

March 31, 2004

TYPE OF ISSUE: Contract Payable – Saginaw County

PURPOSE OF ISSUE: Sewer System Improvements

AMOUNT OF ISSUE: \$175,000

INTEREST RATES: 6.10% to 6.20%

Fiscal Year Ended	Interest	Principal		Interest					
March 31,	Rate		6/Î		6/1		12/1		Total
2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015	6.15% 6.15% 6.15% 6.15% 6.15% 6.20% 6.20% 6.20% 6.20%	\$	10,000 10,000 10,000 10,000 10,000 10,000 10,000 10,000 10,000 10,000	\$	4,480 4,173 3,865 3,558 3,250 2,943 2,635 2,325 2,015 1,705 1,395	\$	4,173 3,865 3,558 3,250 2,943 2,635 2,325 2,015 1,705 1,395 1,085	\$	18,653 18,038 17,423 16,808 16,193 15,578 14,960 14,340 13,720 13,100 12,480
2016 2017 2018	6.20% 6.20% 6.20%		10,000 10,000 15,000		1,085 775 465		775 465		11,860 11,240 15,465
		\$	145,000	\$	34,669	\$	30,189	\$	209,858

PROPRIETARY FUND

SCHEDULE OF INDEBTEDNESS - JUDGEMENT BONDS

March 31, 2004

TYPE OF ISSUE:

General Obligation Bond

PURPOSE OF ISSUE:

Payment of Judgement - Wade Trim/Edmands

AMOUNT OF ISSUE:

\$300,000

INTEREST RATES:

6.45% to 8.00%

Fiscal Year Ended	Interest	Principal		Interest					
March 31,	Rate		5/1		5/1		11/1		Total
2005	6.80%	\$	-	\$	-	\$	3,510	\$	3,510
2006	6.90%	·	20,000		3,510		2,820		26,330
2007	7.00%		20,000		2,820		2,120		24,940
2008	7.00%		20,000		2,120		1,420		23,540
2009	7.10%		20,000		1,420		710		22,130
2010	7.10%		20,000		710		_		20,710
		\$	100,000	\$	10,580	\$	10,580	\$	121,160

GENERAL LONG-TERM DEBT

SCHEDULE OF INDEBTEDNESS

March 31, 2004

TYPE OF ISSUE:

General Obligation Unlimited Tax Bonds

PURPOSE OF ISSUE:

Construction of Library

AMOUNT OF ISSUE:

\$550,000

INTEREST RATES:

3.95% to 5.20%

Fiscal Year Ended	Interest	j	Principal		Int	terest			
March 31,	Rate	6/1		6/1		12/1		Total	
2005	5.15%	\$	70,000	\$	3,622	\$	1,820	\$	75,442
2006	5.20%		70,000		1,820		-		71,820
		\$	140,000	\$	5,442	\$	1,820	\$	147,262



60 Harrow Lane Saginaw, Michigan 48603

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MANAGEMENT LETTER

Township Board Township of Birch Run Saginaw County, Michigan

We have completed our audit of the financial statements of the Township of Birch Run for the year ended March 31, 2004, and have issued our report thereon dated June 30, 2003. As part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Township's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The Township's administration is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the administration with reasonable, but not absolute assurance that assets are safeguarded against unauthorized use or disposition and that transactions are executed in accordance with the administration's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Township taken as a whole. Our study and evaluation disclosed no condition that we believe to be a material weakness.

This report is intended solely for the use of the Township management and should not be used for any other purpose.

We wish to extend our appreciation to you and your staff for the assistance accorded us during our audit.

Berthiaume & Company

Certified Public Accountants

Berthiaume & Co

June 30, 2003